

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: June 10, 2008

PAYROLL LETTER #08-006  
CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief  
Personnel/Payroll Services DivisionRE: **REPORTING COMPENSATION LIMITS IRC SECTION 401(A)(17)**

Section 401(a)(17) of the Internal Revenue Code (IRC) sets a maximum limitation on annual compensation that can be taken into account under a qualified retirement plan. **The maximum limitation for the 2008 calendar year is \$230,000.** This Payroll Letter highlights instructions provided by California Public Employees' Retirement System (CalPERS), in [Circular Letter 200-005-08](#), for employers with employees who are highly compensated and who meet the compensation limit.

**Employees who first became members of CalPERS (including employees in the Alternative Retirement Plan) on or after July 1, 1996 are subject to the IRC 401(a)(17) limit of \$230,000.**

When an eligible employee reaches the annual compensation limit, the retirement contributions must be discontinued for the remainder of the calendar year. Employer paid retirement contributions and service credits are not affected by the limitation.

The State Controller's Office will continue to monitor highly compensated employees and adjust the employee retirement contributions once the limitation is reached. For CalPERS members, the adjustment will be made as a refund retirement deduction within the payment in which excess employee retirement contributions occurred. For ARP employees, a separate deduction refund payment will be issued after the excess employee retirement contribution is withheld.

Starting in 2008, agencies must notify the employee when she/he reaches the compensation limit. Attachment A is a sample letter that agencies may use to notify the employee.

To assist agencies, the SCO will provide a monthly report identifying employees that are anticipated to reach the annual compensation limit in the current pay period. The report is now available on ViewDirect. A new report will be available each month on Master Payroll Cutoff and the reports will remain on ViewDirect through the end of calendar year. A hard copy version of the reports will not be provided.

The reports can be found in ViewDirect under the following report ID and report name:

**Report ID****Report Name**

PDB5475

Retirement Maximum – Compensation Limit Reached

Only personnel staff authorized to access ViewDirect will be able to view and print the reports.

For more information on accessing and printing ViewDirect reports, please see the ViewDirect User Guide on the SCO web site at <http://www.sco.ca.gov/ppsd/viewdir/viewdir.pdf>.

For questions regarding the compensations limits, please contact the CalPERS' Employer Contact Center at 888-CalPERS (or 888-225-7377). For questions regarding retirement compensation adjustments, please contact the SCO Retirement Unit at (916) 322-7975.

DWS:MH/PMAB

Date:

Dear \_\_\_\_\_:

The purpose of this letter is to provide you with information concerning your retirement contributions to the California Public Employees' Retirement System (CalPERS) or the Alternate Retirement Plan (ARP).

Section 401(a)(17) of the Internal Revenue Code (IRC) sets a maximum limitation on annual compensation that can be taken into account under a qualified retirement plan. The compensation limit only applies to employees who first became members or participants of CalPERS or ARP on or after July 1, 1996. The current calendar year compensation limit is \$\_\_\_\_\_.

You are receiving this letter because you will reach the compensation limit effective with the \_\_\_\_\_ pay period. Retirement contribution refund adjustments will be made in the payroll period where the maximum limit is reached and will be reflected in that month's pay. This will continue through the end of the calendar year. If you are an ARP participant, you will receive a separate adjustment deduction refund payment instead.

Your service credits for retirement purposes are not affected by the limitation. The State Controller's Office will continue to report your payroll data to CalPERS for service credit calculation purposes.

If you have any questions regarding the above information, please contact your personnel office.

Sincerely,

cc: Personnel file